U.S. AGENCY FOR
INTERNATIONAL DEVELOPMENT

Microenterprise: Laying the Foundation for Economic Development

Microenterprise Results Reporting for 2002

Methodology Annex

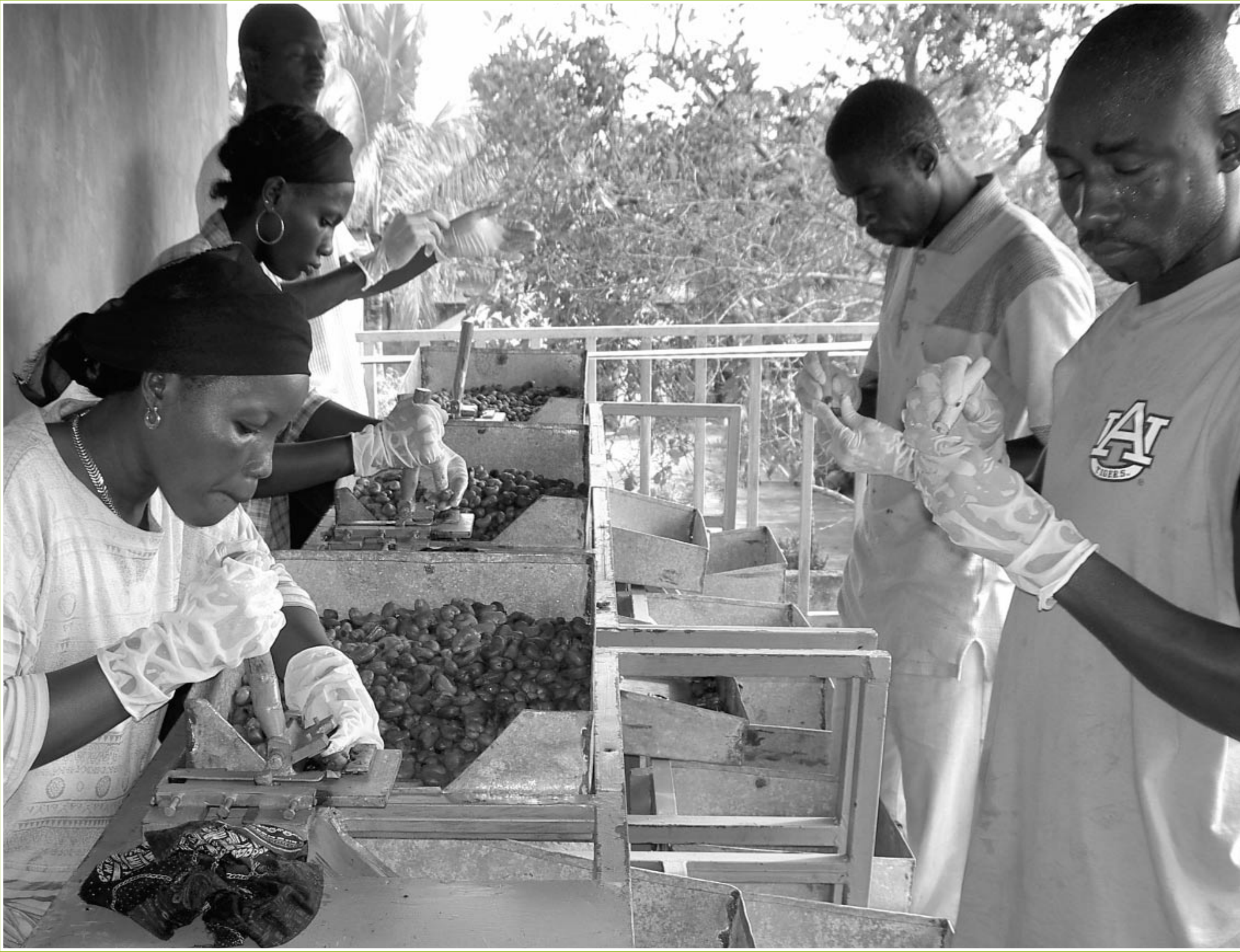

Photo by EnterpriseWorks Worldwide

EWW holds its first cashew processing training in Guinea. The training session was the first in a series of cashew processing trainings to be held by the Guinea Cashew Processing Project. Funded by USAID, the project aims to assist in the development of a cashew processing industry by introducing improved methods and technologies and creating sustainable commercial links among small processors, commercial distributors and local equipment suppliers.

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USAID/Bureau for Economic Growth, Agriculture and Trade/
Office of Poverty Reduction/Microenterprise Development
Division (USAID/EGAT/MD)

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U.S. AGENCY FOR
INTERNATIONAL DEVELOPMENT

EGAT

Microenterprise: Laying the Foundation for Economic Development

Microenterprise Results Reporting for 2002

Methodology Annex

Microenterprise Results Reporting[1] Methodology Annex

This Annex addresses two aspects of the Microenterprise Results Reporting system, USAID's official system for collecting and reporting its annual funding to microenterprise development: what kinds of data MRR collects and how; and the method MRR uses to calculate the portion of USAID microenterprise development funds that benefit the very poor (FVP).

Collecting the Data

MRR collects two types of data. Funding data are tracked as obligations (i.e., financial assistance including grants and contracts) made by missions and other USAID operating units for microenterprise development activities; program data are requested from institutions that receive microenterprise funding – USAID's development partners. USAID field missions and central offices provide obligations data to MRR through an online database. To collect institutional data on microenterprise activities, MRR undertakes an annual survey of USAID's development partners. Because this survey of USAID's partners occurs soon after funding agreements are signed for activities that will be implemented over several years, the data reported for a given year does not reflect the results of the funding obligated in that year. Rather, the data provides a picture of USAID's active investments in microenterprise development overall. The results of this survey are contained in this report and are also available online at www.mrreporting.org.

Funding Data

Funding data are tracked in the form of obligations, which are legally binding USAID agreements to provide financial support to microenterprise institutions and activities. Funding to microenterprise development is reported to MRR when it is clearly determined that the ultimate beneficiaries are microenterprises – defined by the Agency as enterprises with 10 or fewer employees that are owned and operated by poor or low-income people. USAID field missions and offices are directed to report to MRR only on the portions of obligations that directly benefit microenterprises; funding is prorated where the activity may serve larger enterprises in addition to microenterprises, or where funding may support other activities in addition to MED.

Microenterprise development is a versatile strategy that is used by field missions to address a range of economic and social issues. For example, microenterprise programs have been funded by USAID under strategic objectives for economic growth, democracy and governance, community health, and women's literacy

1 Microenterprise Results Reporting (MRR) is an activity managed by the Office of Microenterprise Development in the Poverty Reduction Office of the Bureau for Economic Growth, Agriculture and Trade at USAID. This report was prepared by Stacey Young, Senior Knowledge Management Advisor (EGAT/PR/MD) and Catherine Neill and Sharon Williams of Weidemann Associates, Inc. under the supervision of Katharine McKee, Director of the Office of Microenterprise Development (EGAT/PR/MD).

and empowerment. The activities defined by the larger objective may include a wide range of development programs addressing this objective. The purpose of MRR, however, is to report solely on the funding for the microenterprise development activity.

USAID field missions and central offices update their estimates of the funding they plan to direct to microenterprise development several times a year through MRR's online database. These estimates are used by the agency for internal planning and budget purposes.

Funding data provided by USAID field missions is reviewed by USAID/Washington personnel, including regional and central budget staff. Funding data are subject to change and are adjusted as often as necessary in the MRR database. Funding amounts to institutions may change, for example, when an institution has difficulties accomplishing its objectives. Agreements may be canceled or altered if performance targets are not met. Funds set aside by a field mission for microenterprise development activities have also been deobligated when a suitable awardee was not found.

The tally for actual obligations made during the fiscal year is finalized several months after the end of the year. At that time, each mission or operating unit reports to MRR each institution or activity to which funds were obligated. Sub-obligations, or grants made by the main grantee/contractor to retail microfinance institutions or providers/facilitators of business development services, are also added to the database.

Table 17 contains information by institution type for *those institutions that received obligations in FY 2002* (including those that initiated activities in FY 2002 and those that placed the funds in Strategic Objective Agreement [SOAG] accounts pending identification of implementing organizations or finalization of agreements with those organizations).

Table 17. USAID Funding for Microenterprise Obligation Recipients, 2002[1]

	Microfinance		Microfinance Enabling Environment		BDS		Microenterprise Enabling Environment		Total Obligations[2]	
	Amount US$ (000's)	Number	Amount US$ (000's)	Number	Amount US$ (000's)	Number	Amount US$ (000's)	Number	Amount US$ (000's)	Number
Banks	7,390	24	0	-	0	-	0	-	7,390	24
Business Associations	6,090	1	1,300	1	697	4	0	-	8.087	6
Consulting	17.920	18	3,996	11	9,091	9	1,423	6	32,430	34
Cooperatives & Credit Unions	10,195	14	0	-	0	-	0	-	10,195	14
For-Profits/ Finance Companies	160	1	576	3	711	3	0	-	1,447	7
Government Agencies	0	-	675	1	1,800	2	0	-	2,475	3
NGOs	16,234	35	280	1	11,786	19	800	1	29,100	54
Non-Bank Financial Institution	27,658	12	0	-	0	-	0	-	27,658	12
Other	275	1	0	-	300	1	0	-	575	2
PVOs	16,695	33	0	-	18,440	32	2,712	4	37,847	63
Research Institutions	150	1	0	-	2,160	4	200	1	2,510	5
USAID[3]	7,706	9	129	2	2,705	6	160	1	10,700	14
Total[4]	110,473	149	6,956	19	47,690	80	5,295	13	170,414	238

1 Funds were provided to institutions for loan capital, institutional strengthening, technical assistance, program expansion, monitoring and evaluation, or research and development.

2 Table shows obligations made to umbrellas and apex organizations, not sub-obligations (i.e., funds that they subsequently pass through to other organizations).

3 Obligations to USAID include those funds that were used for microenterprise project management and those for which specific implementing institutions had not yet been specified.

4 Total for all obligations does not correspond with column totals because 23 institutions had funding for more than one purpose.

Institutional Data

Using the funding information, MRR then initiates a request for data on program activities and results through its annual survey of microenterprise institutions. MRR contacts each implementing institution that has an active agreement with USAID during the fiscal year. Institutions are asked to complete one or more of three questionnaires (microfinance, business development services, and policy/enabling environment) that pertain to the activities for which they received USAID funding. The USAID mission or office managing the grant or contract assists in contacting and following up with their respective grantees/partners. Those institutions with internet capability are instructed to complete a survey questionnaire directly online. For those without internet access, the survey questionnaire can be completed and sent by fax or email. The survey questionnaire is available in three languages: English, French and Spanish.

Reporters can view their reports from previous years to help ensure the validity of current year reporting. Responsibility for checking financial data rests with umbrella grantees/contractors, Mission staff and PVO headquarters, i.e., those with knowledge of the institutions' activities. In addition, microfinance experts scan the data for anomalies; and MRR thoroughly reviews data each year for completeness and consistency with prior years' reporting.

Microfinance. All implementing institutions that have active agreements with USAID during the fiscal year are requested to submit data on their financial services programs. Institutions that serve as "umbrellas" or "apexes" – channeling funds or technical support to other institutions – are asked to assist in gathering data from the organizations they support. Umbrella/apex organizations are asked to provide a complete list of all those organizations working directly with microenterprise clients (i.e., retail institutions) to which they have channeled assistance. If some of the retail institutions supported by an apex institution do not respond to repeated requests for data, the umbrella may be asked to report on the client activities of the retail institutions with which it works. Some umbrella institutions regularly submit aggregate data on behalf of retail institutions. While MRR seeks to report on each individual institution to avoid the possibility of double-counting, it is not always possible to obtain data at that level when the organizations are very small or have limited technical capacity.

Microfinance institutions report on standard indicators, such as outstanding portfolio, number of loans (a proxy for number of clients), percentage of women borrowers, amounts held in savings deposits, number of savings clients, percentage of rural clients, portfolio at risk and the extent to which operations are operationally and financially sustainable. Formulas for calculating each of these standards are provided.

Business development services. USAID-supported providers of business development services (BDS) for microentrepreneurs also complete a questionnaire on their activities. BDS facilitators – institutions that contribute to the expansion of BDS services to microentrepreneurs but do not directly serve entrepreneurs – complete one questionnaire. BDS providers – institutions that offer services directly to individual microentrepreneurs – complete another. Institutions that offer both kinds of services complete both questionnaires. The survey questions practitioners on the types of services provided, the numbers of clients, percentage of women clients, percentage of rural clients, and the percentage of clients with poverty loans, among other things.

Enabling environment or policy advocacy. A third questionnaire is distributed to institutions that have active agreements with USAID during the fiscal year for activities in the area of policy research and advocacy. Institutions that have worked on both financial policy and general microenterprise policy are asked to describe the nature of their activities on behalf of microfinance institutions and microentrepreneurs.

Table 18 contains information on the respondents to USAID's annual microenterprise survey by institution type for *all institutions with active USAID agreements in FY 2002* (i.e., including those that received obligations in FY 2002 and those that received obligations in prior years for activities that were ongoing in FY 2002). Response rates in 2002 were as follows: 78 percent of microfinance institutions, or 325 (includes 27 apex organizations) of 415; 72 percent of BDS institutions, or 87 of 121; and 88 percent of policy research and advocacy institutions, or 28 of 32. The total response rate for all institutions with active USAID agreements in 2002 was 77 percent, or 440 out of a total of 568 partners.

Table 18. USAID's Microenterprise Survey Respondents, 2002

Types	Microfinance Survey	Business Development Survey	Policy Survey	Total
Banks[1]	45	1	-	46
Business Associations	4	6	1	11
Consulting Firms	2	7	15	24
Cooperatives/ Credit Unions	55	-	-	55
For-Profits/Finance Companies	7	2	3	12
Government Agencies	-	1	-	1
NGOs	107	37	2	146
Non-Bank Financial Institutions	28	1	-	29
PVOs	20	28	2	50
Research Institutions	1	4	4	9
Rural Banks[2]	26	-	-	26
Other	3	-	1	4
Total	298[3]	87	28	413[3]

1 Includes Bank Rakyat Indonesia (BRI), which is elsewhere excluded from the analysis due to its scale.

2 Rural banks are structured more like very local credit and savings institutions than like commercial banks. The USAID-assisted rural banks are located in the Philippines.

3 In addition, 27 apex institutions responded to the survey but had no program data to report for their own operations, which consist primarily of providing financing and technical assistance to MFIs. The MFIs they assist receive questionnaires to complete and are included in the MF survey results.

Table 19 puts response rates next to obligated amounts for FY 2002, to show that compliance with MRR reporting requirements is high, and this enables USAID to track the vast majority of its microenterprise funds. Moreover, these high overall reporting rates underscore the fact that the lower rates at which institutions report poverty data are indicative not of lack of reporting and oversight but rather of problems specific to the way poverty data is measured – i.e., problems with the loan size proxy. These are discussed in detail below.

Table 19. Response Rates for Institutions Receiving Obligations in 2002

Response rate	Number of Obligations	Percent of Total Number of Obligations	Amount of Obligations (US$ millions)	Percent of Total Amount of Obligations
Total microfinance activities w/2002 obligations	149	100%	$110.473	100%
Total activities responding to MFI survey	119	80%	$95.026	86%
Total BDS activities w/2002 obligations	80	100%	$47.690	100%
Total activities responding to BDS survey	62	78%	$36.494	77%

Measuring the Benefit to the Very Poor

In 2000, the U.S. Congress passed the Microenterprise for Self-Reliance Act, which mandated that half of all USAID microenterprise funds benefit the very poor, defined as those living in the bottom 50% below their country's poverty line. This legislation was amended in 2003 to add a second definition of the very poor, i.e., those living on less than $1 a day. (For FY 2002, however, the definition still in effect was those living in the bottom 50% below the national poverty line.)

The lack of widely applicable, low-cost tools for poverty assessment makes it difficult for USAID to determine with precision whether it is meeting this mandated target. Therefore, the 2003 law also requires USAID to develop and certify at least two tools for assessing the poverty level of its microenterprise beneficiaries. USAID's Microenterprise Development division has selected a consortium led by the University of Maryland's IRIS Center to implement this work. Tools will be certified and implemented on an interim basis by October 2004 and on a final basis by October 2005.

Until that time, the poverty measurement provisions of the 2000 Microenterprise for Self-Reliance Act remain in effect. In accordance with these provisions, MRR requests data from microfinance institutions on the number and value of poverty loans they hold, and from BDS providers/facilitators on the percentage of BDS clients they estimate to hold poverty loans from any source.

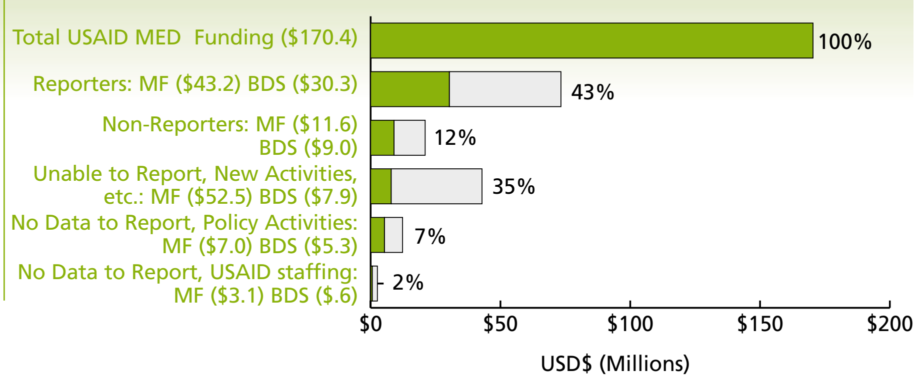
This loan size data is used as a proxy to estimate the amount of USAID microenterprise funding that benefits the very poor. Poverty loans are loans that are sufficiently small that the borrower is presumed to be among the very poor. Poverty loan amounts for each region, defined by the Microenterprise for Self-Reliance Act of 2000, are:

- Loans equivalent to $1000 or less in the Europe and Eurasia region
- Loans equivalent to $400 or less in the LAC region
- Loans equivalent to $300 or less in Africa and in the Asia and Near East region.

While MRR collects program data from all institutions with active agreements with USAID in a given fiscal year, it uses data only from those institutions that received obligations in the current fiscal year for the purposes of calculating the Funds that benefit the Very Poor (FVP). This is because USAID is mandated by Congress to report on poverty lending appropriations by fiscal year.

For each category of USAID MED activities, there are specific challenges associated with reporting on the percent of resources that benefit the very poor. These challenges affect poverty data reporting and thus how MRR calculates the FVP. Figure 3 shows response rates on poverty lending data for implementing institutions by type of USAID MED activity and relevance of poverty data. The text that follows explains how funding to these institutions/activities is treated in the FVP calculation.

Figure 3. Response to Poverty Lending Question as Share of Total Obligations



Reporters: Institutions that reported poverty loan data. MF Reporters =95, BDS =48

Non-Reporters: Institutions that could have reported poverty loan data but did not. MF Non-Reporters=26, BDS Non-Reporters=13

Unable to Report, New Activities: Institutions that could not report poverty loan data because they had brand new activities or because they provide technical assistance at the industry level and thus have no client data; or SOAGS. Many of these institutions responded to the survey. MF Unable to Report=39, BDS Unable to Report = 14

No Data to Report, Policy Activities: Such activities have no associated client data because they do not involve direct service to clients. MF Policy =16, BDS Policy=2

No Data to Report, USAID Staffing: USAID activities with no direct service to clients and thus no associated poverty loan data. This includes USAID staffing, research and support. MF=12, BDS=6

Reporters of poverty loan data

Financial Services (FS)/Microfinance reporters: For MFIs, the amount of funds benefiting the very poor is derived by multiplying the total amount of the obligation to the institution by the ratio of its loan portfolio held in poverty loans over the total loan portfolio. The resulting obligation amounts are considered to be funds that benefit the very poor (FVP).

FVP% for FS = (total funds to institution) x (percent loan portfolio held in poverty loans)

For example, if an institution received funding of $1 million and poverty loans made up 40% of its loan portfolio value, the FVP from that obligation would be $400,000.

The sum of all FVP obligations for a region is divided by the total obligations to the reporting institutions to provide a regional "Percentage of Financial Funding for Poverty Lending," or regional FVP%. All the FVP obligations – across all regions and USAID operating units – are summed and divided by total obligations to reporting institutions to provide a worldwide "Percentage of Financial Funding for Poverty Lending," or worldwide FVP%.

In FY 2002, 69% of MFIs that received support in that year responded to the questionnaire with poverty data. These institutions received $43.243 million, or 40% of USAID's microenterprise funding to microfinance institutions for FY 2002; the amount of MF funding estimated to benefit the very poor is $22.9 million, or 53%.

Business Development Services (BDS) reporters: Assessing the proportion of BDS clients who are very poor is much less straightforward than doing so for MFI clients. This is because there is not a direct connection between the benefits very poor clients receive from USAID-assisted BDS organizations and whether or not they have access to poverty loans. Furthermore, unless they actually provide finance or directly assist clients in accessing finance, few BDS providers are in a position to know definitively whether their clients hold loans consistent with the poverty loan size proxy.

The poor fit between the loan size proxy and the work of BDS providers/facilitators has a negative effect on the estimate of the percentage of their clients who are very poor. While this is the proxy for poverty level mandated by the U.S. Congress, MRR believes that this data is an imperfect indicator that suppresses reporting on the poverty status of BDS clients. MRR also believes that, where such reporting is made, the loan size proxy artificially deflates the figures on the extent to which BDS services benefit the very poor, as it is unreasonable to assume that all very poor clients would hold poverty loans and be included in the estimate reported by the BDS institution.

Nonetheless, BDS institutions are asked to estimate the number of clients that hold poverty loans. The amount of funds for the very poor is derived by multiplying the total amount of the obligation to the institution by the percent of clients estimated to hold poverty loans (i.e., the ratio of number of clients with poverty loans over the total number of clients).

FVP% for BDS = (total funds to institution) x (percent of clients estimated to hold poverty loans)

For example, if an institution received funding of $500,000 and 60% of its clients are estimated to hold poverty loans from any source, the FVP from that obligation would be $300,000.

The sum of all FVP obligations for a region is divided by the total obligations to the reporting institutions to provide a "Percentage of Non-Financial Funding for Poverty Loan Clients," or FVP%, for the region. All the FVP obligations – across all regions – are summed and divided by total obligations to reporting institutions to provide a "Percentage of Non-Financial Funding for Poverty" Loan Clients," or FVP%, for all regions.

In FY 2002, 65% of BDS awardees that received USAID support in that year provided poverty data. These institutions received $30.293 million, or 64% of USAID's microenterprise funding for BDS to institutions for FY 2002. The amount of BDS funding estimated to benefit the very poor is $13.7 million, or 45%.

Non-reporters of poverty loan data

Financial services/microfinance awardees that did not report poverty loan data: In some cases, despite repeated requests, MFI awardees declined to provide poverty data in response to the questionnaire. In these cases, USAID has information on the funds the MFI received but not other performance data, including the percent of portfolio held in poverty loans.

In FY 2002, 19% of MFIs that received USAID support in FY 2002 did not respond to the MRR survey, hence did not report on the percent of portfolio held in poverty loans. These institutions correspond with $11.6 million, or 11% of the obligations to MFIs in 2002.

BDS awardees who did not report poverty loan data: The inadequacy of the loan size proxy to accurately estimate their clients' poverty status as well as its lack of relevance to their work frustrates some BDS providers/facilitators and results in relatively high rates of non-response to the poverty loan section of the MRR questionnaire. A number of institutions have reported they have no basis on which to make this estimate, since they neither provide nor facilitate that financing. This high rate of partial reporting compromises the accuracy of the poverty data MRR collects.

In FY 2002, 17% of BDS awardees that received USAID support did not respond to the survey nor to the poverty loan questions. These institutions received $9.0 million, or 19% of USAID's microenterprise funding for BDS institutions for FY 2002.

Unable to report poverty loan data: new activities

New Awards, Strategic Objective Agreements (SOAGs) and the Credit Guarantee Corporation (CGC) of Egypt: Those institutions that responded to the survey but did not have poverty lending data either had newly-initiated activities for which there was no program data as yet, or implemented umbrella or guarantee programs that had not yet subobligated/committed funds to implementing institutions. Of those MFIs that received support in 2002, 28% could not respond to the request for poverty loan data.[2] These institutions received $52.5 million, or 49% of the obligations to MFIs.

As noted above, many activities funded by USAID in a given fiscal year are agreements for initiating new microenterprise support activities. Many of the institutions implementing those activities responded to the annual survey, but did not report poverty loan data, since clients had not yet been served by the new activities. Other obligations are shown in the MRR database as SOAGs (Strategic Objective Agreements). These funds were obligated by Missions into broad agreements with the host government, but had not yet been subobligated to implementing organizations at the time the data was reported to MRR. Missions may show funds at the SOAG level for a variety of reasons: when the obligation is made very late in the fiscal year, when a recipient has not yet been identified, or when the funds have been obligated but the terms of the contract agreement are still under discussion. Many new microenterprise activities undertaken with Mission funding are shown as SOAGs until the terms and conditions of the agreements are finalized. The process of finalization may take several months; hence the implementing organizations would not be identified and able to report on clients until after the MRR report was complete. Since these funds are as yet unallocated to implementing institutions, but are designated for activities that are similar to activities for which poverty data is available, MRR extrapolates the FVP percent derived from activities for which poverty data is available to these activities. Thus these activities have no net effect on the FVP calculation.

In FY2002, funds that were reported as SOAGs amounted to $7.3 million. While this did not affect the overall FVP calculation, as these funds were excluded from that calculation, the number and size of these SOAGs suppressed the overall response rate.

Funds provided to the Credit Guarantee Corporation (CGC) in Egypt pose yet another challenge to MRR. This institution has received large amounts of fund-

2 Note that percentages for numbers of obligations do not add up to 100% because some institutions with obligations reported poverty data on portions of the total obligation.

ing over the past several years for the purpose of providing guarantees to local lenders as an incentive to expand their own activities into the microenterprise sector or their lending to microfinance institutions. Five million dollars of the 2002 funds provided to the CGC were used for training and capacity building of Egyptian microfinance institutions. The remainder is to be applied to guarantees. At the time of the data collection, the 2002 funds had not yet been applied to institutional guarantees; hence the funds cannot be traced to particular institutions. Since these funds were as yet unallocated to implementing institutions it was impossible to obtain poverty data on the client beneficiaries. The large size of this award ($21 million) to the CGC added significantly to the percentage of microfinance funds for which institutions are unable to report poverty data. As with SOAGs, because these funds are as yet unallocated to implementing institutions, but are designated for activities that are similar to activities for which poverty data is available, MRR extrapolates the FVP percent derived from activities for which poverty data is available to these activities. Thus these activities have no net effect on the FVP calculation.

Fourteen, or 19 percent, of the institutions with BDS obligations responded to the survey but were unable to provide poverty loan data. These institutions represented $7.9 million, or 17 percent of the obligations to BDS institutions.

No data to report for FVP: activities that cannot yield data on their benefit to very poor entrepreneurs

Enabling Environment awardees: USAID supports a number of enabling environment or policy activities designed to redress policies that undermine microentrepreneurs' success by hindering access to credit, presenting obstacles to business registration and entry into the formal economy, restricting assets that can be used as collateral, etc. In FY 2002, this support amounted to $12.251 million for policy advocacy and research in the areas of both microfinance and general microenterprise policy. This amount is excluded from the FVP calculation, since again, such activities cannot be linked to poverty loans to clients.

It is reasonable to assume that the success of these efforts benefits very poor entrepreneurs. Depending on the policy and its impact on various types of enterprises, some activities will have a disproportionate, positive impact on microentrepreneurs. However, since the activities do not involve direct service to microentrepreneurs, such activities do not produce benefits that can be tracked directly to specific clients using the poverty loan proxy. As such, it is not possible to estimate the share of "funds for the very poor" using the poverty loan proxy. Thus they are excluded from the FVP calculation and have no net effect on it.

In FY 2002, 7.2% of USAID's microenterprise funding went to policy/enabling environment activities.

USAID/Washington: Obligations that were used for USAID/W program-funded salaries, training and research cannot be directly associated with poverty loans and were therefore excluded from the poverty calculation. These amounts totaled $3.07 million for microfinance and another $582,000 for BDS. Since the activities do not involve direct service to microentrepreneurs, such activities do not produce benefits that can be tracked directly to specific clients using the poverty loan proxy. As such, it is not possible to estimate the share of "funds for the very poor" using the poverty loan proxy. Thus they are excluded from the FVP calculation and have no net effect on it.

Methodology for calculating FVP, the share of funds benefiting the very poor

To arrive at the overall FVP %,[3] MRR takes the following steps:

1. It calculates the amount of FVP from financial services (FS) reporters by multiplying the amount of the obligation to an institution that reported poverty data by the ratio of its loan portfolio held in poverty loans over the total loan portfolio. The resulting amounts are summed to provide the amount of FVP obligations for all FS reporters. For FY 2002, this amount was $22.9 million.

2. It calculates the amount of FVP from BDS reporters by multiplying the amount of the obligation to the institution that reported poverty data by the percent of clients estimated to hold poverty loans (i.e., the ratio of number of clients with poverty loans over the total number of clients). The resulting amounts are summed to provide the amount of FVP obligations for all BDS reporters. For FY 2002, this amount was $13.8 million.

3. It totals all FS funds for the very poor (from 1 above) and BDS funds for the very poor (from 2 above). This provides the amount of obligations attributable to FVP from which the final overall FVP % is derived. For FY 2002, this amount was $36.7 million.

4. It totals all obligations to institutions reporting poverty data (from 1 and 2 above). This provides the total obligations used in the calculation of the FVP percentage. For FY 2002, this amount was $73.5 million.

5. It divides the FVP (from 3 above) by total obligations to institutions reporting poverty data (from 4 above). This provides the FVP percentage reported in Table 5. For FY 2002, this resulted in the following: $36.7 million divided by $73.5 million = 50%.

3 Readers should bear in mind that the FVP calculation for FY 2002 is performed only on funding amounts and data associated with institutions that received obligations in FY 2002. While MRR collects program data from all institutions with active agreements with USAID in a given fiscal year, it uses data only from those institutions that received obligations in the current fiscal year for the purposes of calculating the Funds that benefit the Very Poor (FVP). This is because USAID is mandated by Congress to report on poverty lending appropriations by fiscal year.

6. Funding amounts for policy activities and USAID support and research ($15.9 million for FY 2002) are deducted from total microenterprise obligations ($170.4 million for FY 2002).

7. The FVP percentage (derived in 5 above) is assumed to apply to all programs funded in the fiscal year, excluding those amounts mentioned in 6 above. In other words, the FVP% (50% in FY 2002) is extrapolated from obligations to institutions that reported poverty data to obligations to institutions that did not or could not report poverty data. For obligations to institutions/activities that do not involve clients and client data, no claim is made regarding their benefit to the very poor; these funds ($15.9 million for FY 2002) are left out of the FVP.

Therefore, the formula that MRR uses to calculate the benefit of USAID microenterprise funds to the very poor is:

$$\text{overall FVP\%} = \frac{\text{(FVP for FS)} + \text{(FVP for BDS)}}{\text{(obligations to poverty data reporters)}}$$

MRR also breaks out FVP by region. Combining the FVP for both MFIs and BDS institutions for a region provides a total amount of FVP obligations for the region. The sum of all FVP obligations for a region is divided by the total obligations to the reporting institutions to provide a "Percentage of Funds Benefiting the Very Poor" for the region. All the FVP obligations – across all regions and USAID operating units – are summed and divided by total obligations to reporting institutions to provide a "Percentage of Total Funding for Poverty Lending" worldwide.

Table 5, which appears earlier in this report and is reproduced here for the reader's convenience, presents data on the percentage of USAID microenterprise funds that benefited the very poor in FY 2002.

Table 5. Percentage of Funds Benefiting the Very Poor, 2002

	Total Microenterprise Funding (US$ millions)	Percent of Financial Funding for Poverty Lending	Percent of Non- Financial Funding for Poverty Loan Clients	Percent of Total Funding Benefiting the Very Poor
Africa	$24.5	79%	38%	47%
Asia/Near East	$31.2	90%	59%	77%
Europe/Eurasia	$31.8	46%	3%	35%
Latin America	$35.6	67%	75%	71%
Global Bureau	$31.4	42%[1]	50%	44%
Total all Bureaus	$154.5[2]	53%	45%	50%

1 This percentage is influenced by the portfolio guarantees provided to banks through the Office of Development Credit. As banks, their services are not focused on very poor clients, and typical loan sizes fall at the high end of those considered to fit the definition of "microenterprise loan."

2 Funds in the amount of $3.652 million used for USAID salaries, training, and research were excluded from this column. Total funds ($12.251 million) provided to improve the enabling environment for microenterprise development were also excluded. The rationale for excluding them is that the extent to which they benefit very poor clients is impossible to estimate by the poverty loan proxy mandated by law, since they do not directly serve clients.

The Total Microenterprise Funding column in Table 5 includes all FY 2002 funds that supported field-based microenterprise programs. For all of these programs, MRR requested data on what portion of the funds benefited the very poor (FVP) but it did not in every case receive the data. MRR calculated the percentages in the remaining three columns in Table 5 based on a subset of the funds in the first column – i.e., based on those funds that supported programs for which the implementing institutions provided FVP data on their 2002 activities.

Thus, in assessing what portion of total USAID microenterprise funds ($170.4 million) benefited the very poor, MRR can report with certainty that the funds that benefited the very poor equaled 50% of the $73.5 million that went to reporters of poverty loan data. For the reasons discussed above, MRR believes that the same percentage – 50% – can reasonably be extrapolated to the activities of FS ($64.163 million) and BDS ($16.914 million) institutions that either could not or did not report as well (including SOAGS and the CGC). For the remaining $15.9 million of USAID MED funds, which went to activities that cannot yield poverty loan data (policy work, research and USAID staffing and support), it is impossible to determine the extent of benefit to the very poor with the measurement method available.

ACRONYMS

ACCION	Americans for Community Cooperation in Other Nations
ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperation and Assistance
AFR	Africa Region (USAID)
ANE	Asia and the Near East Region (USAID)
BDS	Business Development Services
BRI	Bank Rakyat Indonesia
DA	Development Assistance
CACEDRF	Central American and Caribbean Disaster Relief Fund
CARE	Cooperative for Assistance and Relief Everywhere
CGC	Credit Guarantee Corporation
CSD/HIV	Child Survival and Development/Human Immunodeficiency Virus
ESF	Economic Support Funds
EE	Enabling Environment
E&E	Europe and Eurasia Region (USAID)
FINCA	Foundation for International Community Assistance
FS	Financial Services
FSA	Freedom Support Act
FVP	Funds that benefit the Very Poor
LAC	Latin America and the Caribbean Region (USAID)
MD	USAID/Washington Microenterprise Development Team
ME	Microenterprise
MED	Microenterprise Development
MEDA	Mennonite Economic Development Association
MF	Microfinance
MFI	Microfinance Institution
MRR	Microenterprise Results Reporting
NGO	Nongovernmental Organization
PVC	Office of Private and Voluntary Cooperation (USAID)
PVO	Private Voluntary Organization
SAI	Special Assistance Initiatives
SEED	Support for Eastern European Democracy
SIMA	Sistema Informativo de Mercados Agropecuarios
SOAG	Strategic Objective Agreement
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions

The full report is available online at www.mrreporting.org and www.microlinks.org. The report is also available in hard copy or on CD-ROM from Weidemann Associates, Inc. Please contact admin@mrreporting.org to request a hard copy or CD-ROM.

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MicroLINKS, the USAID Microenterprise Development web site at www.microlinks.org, contains the latest microenterprise research and reports, hosts a number of active communities of practice convening around subjects central to microenterprise development, and offers links to other informative web sites.

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